

Message Text

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C O N F I D E N T I A L MOSCOW 1166

E.O. 11652: GDS

TAGS: ETRD, EEWT, UR, US

SUBJECT: REPORTED PATOLICHEV COMMENTS ON TRADE LEGISLATION;
EXPERIENCES OF U.S. COMPANIES FOLLOWING JANUARY
13 ANNOUNCEMENT

USDOC FOR BEWT/DOWNEY

1. SUMMARY. US-USSR TRADE/ECONOMIC COUNCIL PRESIDENT SCOTT ATTENDED LUNCHEON MEETING OF U.S. BUSINESS COMMUNITY IN MOSCOW (ALSO ATTENDED BY ECON/COMM COUNSELOR AND COMMATT) JANUARY 27 FOLLOWING 2 1/2 HOUR MEETING WITH MINISTER FOREIGN TRADE PATOLICHEV. ACCORDING TO SCOTT, PATOLICHEV TOOK GENERALLY POSITIVE APPROACH TO US-SOVIET TRADE ALTHOUGH MAKING IT CLEAR THAT AS FAR SOVIETS CONCERNED, BALL WAS IN U.S. COURT. VARIOUS COMPANY REPRESENTATIVES PRESENT COMMENTED ON RECENT EXPERIENCES WITH SOVIETS. ONLY ONE CASE WAS CITED IN WHICH SOVIETS PEGGED NEGATIVE DECISION ON PENDING DEAL TO TRADE LEGISLATION. END SUMMARY.

2. ACCORDING TO SCOTT, PATOLICHEV'S OVERALL APPROACH WAS POSITIVE AND ATMOSPHERE OF MEETING WAS HOOD. WHILE PATOLICHEV DID NOT SEEK TO CONCEAL DISAPPOINTMENT OVER TRADE BILL AND EX-IM LEGISLATION, HE REPORTEDLY STRESSED THAT SOVIET ACTION SHOULD IN NO WAY BE SEEN AS DEPARTURE FROM COMMITMENT TO DETENTE OR TO DEVELOPMENT OF US-SOVIET TRADE. ACCORDING TO SCOTT, PATOLICHEV SAID SOVIETS WOULD CONTINUE WITHIN THEIR POSSIBILITIES TO ENCOURAGE DEVELOPMENT OF TRADE WITH U.S. AND ADDED THAT SOVIETS WOULD INCREASE USE OF CASH PAYMENTS TO
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MAKE UP FOR LACK OF EX-IM FINANCING WHERE POSSIBLE. PATOLICHEV

ALSO REPORTEDLY URGED THAT U.S. BUSINESS ON ITS SIDE SEEK DEVELOP ALTERNATIVE SOURCES OF CREDITS. LOOKING AHEAD, PATOLICHEV SAID THAT FOR THEIR PART SOVIETS WOULD DO WHAT THEY COULD TO CREATE ATMOSPHERE IN WHICH REVISION OF TRADE BILL AND EX-IM LEGISLATION WOULD BE FEASIBLE, ALTHOUGH HE STRESSED THAT SOLUTION TO PROBLEM WOULD HAVE TO BE FOUND BY U.S.

3. SCOTT ADVISED THAT ONE OF MAJOR PURPOSES OF HIS VISIT WAS TO PREPARE FOR FEBRUARY 20 MEETING (IN WASHINGTON) OF TRADE/ECONOMIC COUNCIL'S EXECUTIVE COMMITTEE, AND HE SAID THAT HE HAD ASKED PATOLICHEV TO SEND THREE DEPUTY MINISTERS OF FOREIGN TRADE TO THAT MEETING. ALTHOUGH PATOLICHEV REPORTEDLY ASSURED SCOTT THAT SOVIET SIDE WOULD COOPERATE IN UPCOMING COUNCIL MEETING, SCOTT SAID PATOLICHEV APPEARED CONCERNED THAT SENDING THREE DEPUTY MINISTERS COULD BE SEEN AS SIGN THAT SOVIETS WERE "BEGGING" U.S. SIDE FOR CHANGES IN LEGISLATION. SCOTT SAID THAT IN GENERAL PATOLICHEV APPEARED SENSITIVE TO ANY HINT THAT SOVIETS WERE DEMANDEURS IN PRESENT CONTEXT.

4. DURING MEETING WITH PATOLICHEV, SCOTT REPORTED, QUESTION OF CREDIT AVAILABILITIES WAS MAJOR SUBJECT. IN THIS CONNECTION, SCOTT SAID PATOLICHEV RAN THROUGH OFFERS ALREADY MADE OR PENDING FROM WESTERN EUROPE, INCLUDING DOLLARS 2.5 BILLION FROM FRANCE, DOLLARS 1.6 BILLION FROM ITALY (OF WHICH DOLLARS ONE BILLION STILL UNDER DISCUSSION), AND ONE BILLION POUNDS FROM UK. LATTER CREDIT PACKAGE TO BE DISCUSSED DURING VISIT TO LONDON BY DEPUTY MINISTER OF FOREIGN TRADE ALKHIMOV BEGINNING JANUARY 31 AND, IF ALL GOES WELL, AGREEMENT WILL BE SIGNED DURING UPCOMING WILSON VISIT. SCOTT SAID SOVIETS CITED THESE FIGURES TO PROVIDE CONTRAST WITH DOLLARS 300 MILLION CEILING SET IN EX-IM LEGISLATION.

5. SURVEY OF U.S. BUSINESS REPS PRESENT REVEALED ONLY ONE CASE IN WHICH TRADE ACT AND SOVIET REACTION THERETO, HAD APPARENTLY RESULTED IN COLLAPSE OF PENDING DEAL. IN THIS CASE, COMPANY REP HAD ORAL AGREEMENT OF FTO PROMYSRIOIMPORT TO SELL 50,000 TONS OF PIG IRON FOR 1975 DELIVERY TO U.S. FTO OFFICIAL CONDUCTING NEGOTIATIONS HAD PREVIOUSLY INFORMED U.S. COMPANY THAT WHILE SOVIETS HAD VERY LITTLE PIG IRON AVAILABLE FOR EXPORT, THEY WERE PREPARED PROVIDE THIS QUANTITY. HOWEVER, CONFIDENTIAL

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AFTER JANUARY 13 ANNOUNCEMENT, COMPANY WAS ADVISED BY PROMSYRIOIMPORT THAT "U.S. WAS LAST COUNTRY IN THE WORLD TO WHICH WE WOULD SELL THIS COMMODITY." SAME COMPANY REP REPORTED, HOWEVER, THAT HIS DEALINGS WITH OTHER FTO'S CONTINUED TO BE NORMAL AND AGREEABLE. (IN SEPARATE CONVERSATION WITH COMMATT, INTERNATIONAL HARVESTER REP ADVISED THAT HE HAD BEEN ON RECEIVING END OF "SAVAGE" LECTURE BY TRAKTORCEXPORT VICE PRESIDENT ON INIQUITIES OF U.S. LEGISLATION. HOWEVER, FOLLOWING

THIS LECTURE HE WAS GIVEN DOLLARS 2 MILLION CONTRACT, WHICH
TENDEED MITIGATE IMPACT OF ATTACK) OTHER COMPANY REPS REPORTED
THAT THEIR DEALINGS WITH SOVIETS CONTINUED AS BEFORE.

6. ARTHUR ANDERSEN REP, RECENTLY RETURNED FROM U.S., REPORTED
THAT HIS EXPERIENCE INDICATED THAT ASIDE FROM NEW YORK TIMES
AND WASHINGTON POST, U.S. PRESS WAS PLAYING SOVIET ACTION ON
1972 TRADE AGREEMENT AS AKIN TO REVOCATION OF AGREEMENT AND
NOT AS REFUSAL ACCEPT CONDITIONS ESTABLISHED IN 1974 TRADE
ACT. HE SUGGESTED THAT IT WOULD BE IN GENERAL INTEREST TO
SEEK TO COUNTER THIS IMPRESSION, WHICH HE SAID COULD HAVE
IMPACT ON POPULAR ATTITUDES THROUGHOUT U.S. AND IN CONGRESS.
(COMMENT: ARTHUR ANDERSEN REP CITED MILWAUKEE SENTINEL AND
BARRONS MAGAZINE AS EXAMPLES OF PUBLICATIONS WHICH HAD CARRIED
MISLEADING STORIES ON SOVIET ACTION. IF IT IS CORRECT THAT
SEGMENTS OF U.S. PRESS ARE PLAYING SOVIET ACTION AS REP-
UDIATION, REVOCATION, NULLIFICATION ETC OF TRADE AGREEMENT,
EMBASSY BELIEVES IT WOULD BE USEFUL FOR DEPARTMENT TO SEEK
CORRECT THESE MISIMPRESSIONS. END COMMENT).

7. EMBASSY WILL ARRANGE FURTHER DEBRIEFING OF SCOTT WHEN HIS
DISCUSSIONS WITH SOVIETS ARE COMPLETED, PROBABLY ON
JANUARY 30.
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